

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-02 /051 W

----- 123630

R 131559Z MAY 75

FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 5636

C O N F I D E N T I A L MONROVIA 2640

E.O. 11652: GDS

TAGS: BGEN, EINV, US, LI

SUBJECT: FOURTEEN BUSINESS FIELDS DENIED TO FOREIGN FIRMS

REF: STATE 108506, MONROVIA 2130

1. BEGIN UNCLASSIFIED. ON MAY 6, 1975, LIBERIAN LEGISLATURE PASSED ACT PROHIBITING ALIENS FROM ENGAGING IN FOLLOWING BUSINESSES WITHIN THE REPUBLIC OF LIBERIA: (A) CEMENT BLOCKMAKING, (B) SUPPLY OF SAND, STONE AND GRANITE, (C) OPERATION OF GAS STATIONS, (D) PEDDLING, (E) ICE CREAM MANUFACTURE, (F) COMMERICAL PRINTING, (G) TRAVEL AGENCIES, (H) ADVERTISING AGENCIES, (I) GRAPHIC AND COMMERCIAL ARTS, (J) SALE OF ANIMAL AND POULTRY FEED, (K) DISTRIBUTION OF LOCALLY MANUFACTURED PRODUCTS, (L) CINEMAS, (M) PRODUCTION OF POULTRY AND POULTRY PRODUCTS, AND (N) TRANSPORTATION AS PHIBITED IN SECTION 6.1 OF THE TRANSPORTATION AND COMMUNICATIONS LAW. ALIEN, AS DEFINED FOR PURPOSES THIS ACT IS QTE AN INDIVIDUAL WHO IS NOT A CITIZEN OF LIBERIA, OR A PARTNERSHIP ALL THE MEMBERS OF WHICH ARE NOT CITIZENS OF LIBERIA, OR A CORPORATION OF WHICH ALL THE SHAREHOLDERS ARE NOT CITIZENS OF LIBERIA UNQTE. PERSONS VIOLATING ACT BY PURPORTING BE OWNER LISTED BUSINESSES, OR OPERATING SUCH BUSINESSES FOR OR ON BEHALF OF NON-LIBERIANS, SUBJECT TO \$5,000 FINE OR NOT LESS THAN TWO YEARS IMPRISONMENT, OR BOTH. FULL TEXT BEING TRANSMITTED BY AIRGRAM.

2. ACT AS PASSED BY LEGISLATURE IS QUITE DIFFERENT FROM
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PROPOSAL MADE BY MINISTER OF COMMERCE, INDUSTRY AND TRANSPORTATION

IN HIS ANNUAL REPORT TO LEGISLATURE DURING PAST TWO YEARS (MONROVIA A-48 OF MAY 20, 1974). MINISTER'S PROPOSAL WOULD HAVE ESTABLISHED TWO LISTS, ONE OF WHICH WOULD HAVE BEEN BUSINESSES IN WHICH NO ALIEN OR ALIEN ENTERPRISE (DEFINED AS ONE IN WHICH ANY ALIEN HAS ANY CAPITAL OR PROPRIETARY INTEREST) COULD HAVE ANY INTEREST WHATSOEVER, AND ANOTHER LISTING BUSINESSES IN WHICH ALIENS COULD HAVE NO MORE THAN FIFTY-ONE PERCENT INTEREST. MINISTER'S PROPOSAL ALSO WOULD HAVE CLOSED CERTAIN KEY AREAS OF CITY OF MONROVIA TO ALIEN ENTERPRISES OR THOSE IN WHICH ALIENS HAVE ANY INTEREST.

3. SEVERAL BUSINESS FIELDS LISTED IN ACT AS PASSED BY LEGISLATURE WERE ALSO LISTED IN BILL PROPOSED BY MINISTER AS BUSINESSES TO BE RESERVED EXCLUSIVELY TO LIBERIANS. THESE INCLUDE CEMENT BLOCKMAKING AND THE OPERATION OF GAS STATIONS (ACTUALLY RESERVED EXCLUSIVELY TO LIBERIAN CITIZENS IN 1972), AS WELL AS PEDDLING, ICE CREAM MANUFACTURE, THE SUPPLY OF SAND, STONE AND GRANITE, COMMERCIAL PRINTING AND THE OPERATION OF TRAVEL AGENCIES. ALSO LISTED BY THE MINISTER AS TO BE RESERVED EXCLUSIVELY FOR LIBERIANS, BUT NOT INCLUDED IN THE ACT AS PASSED BY THE LEGISLATURE, WERE: OPERATION OF COOK SHOPS, RETAIL TRADE OF NON-ALCOHOLIC BEVERAGES AND OF TIRES, OPERATION OF BUTCHER SHOPS, RETAIL TRADE IN FOOD, CLOTHING AND HOUSEHOLD GOODS WITH ANNUAL TURNOVER OF LESS THAN \$30,000, AND THE OPERATION OF LOCAL PETROLEUM DISTRIBUTION COMPANIES. END UNCLASSIFIED.

4. BEGIN CONFIDENTIAL. THE ACT PASSED BY THE LEGISLATURE IS CONSIDERABLY LESS ONEROUS FOR FOREIGN FIRMS AND INDIVIDUALS THAN WOULD HAVE BEEN THE BILL PROPOSED BY MINISTER OF COMMERCE, INDUSTRY AND TRANSPORTATION. IN FIRST PLACE, DEFINITION OF ALIEN PARTNERSHIP AND CORPORATION MUCH MORE LENIENT IN APPLICATION TO LISTED FIRMS THAN EXCLUSIVITY PROPOSED BY MINISTER. IN SECOND PLACE, MINISTER'S PROPOSED PROHIBITION AGAINST FOREIGN PARTICIPATION IN RETAIL TRADE IN TIRES, OPERATION OF LOCAL PETROLEUM DISTRIBUTION COMPANIES AND OF BUTCHER SHOPS, AND RETAIL TRADE IN NON-ALCOHOLIC BEVERAGES WOULD HAVE STRUCK HEAVILY AGAINST SOME U.S., EUROPEAN AND MIDDLE EASTERN FIRMS. FINALLY, ACT AS PASSED MAKES NO MENTION OF MINISTER'S PROPOSED SECOND LIST OF BUSINESS FIELDS

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IN WHICH LIBERIANS MUST HOLD AT LEAST FORTY-NINE PERCENT INTEREST, NOR DOES IT CONTAIN GEOGRAPHIC LIMITATIONS. MINISTER'S SECOND LIST WOULD HAVE AFFECTED: (A) SUPERMARKETS (EUROPEAN, MIDDLE EASTERN), (B) PETROLEUM DISTRIBUTION COMPANIES (U.S., EUROPEAN), (C) RESTAURANTS AND BAKERIES (EUROPEAN, MIDDLE EASTERN, INDIAN), (D) DISTRIBUTION AND SERVICING OF MOTOR VEHICLES AND TRACTORS (U.S., EUROPEAN, MIDDLE EASTERN), (E) FURNITURE MANUFACTURE AND RETAIL TRADE

(EUROPEAN), (F) PACKING, STORAGE AND COASTAL SHIPPING (U.S., EUROPEAN), (G) WHOLESALE DISTRIBUTION (US, EUROPEAN, MIDDLE EASTERN, INDIAN), (H) BOTTLING OF SOFT DRINKS AND ALCOHOLIC BEVERAGES (U.S., EUROPEAN), (I) RETAIL TRADE OF ELECTRICAL APPLIANCES (U.S., EUROPEAN, MIDDLE EASTERN, INDIAN), (J) WHOLESALE AND RETAIL TRADE OF BUILDING AND CONSTRUCTION MATERIALS (EUROPEAN, MIDDLE EASTERN), AND (K) THE OPERAATION OF LAUNDRY, DRY CLEANING, RUG AND UPHOLSTERY, CARPENTRY, HAIRDRESSING AND BARBER SHOPS AND ENTERTAINMENT CENTERS (EUROPEAN, MIDDLE EASTERN). GEOGRAPHIC LOCATION RESTRICTION WOULD HAVE REQUIRED CLOSURE OR SALE OF LOCAL BRANCH OFFICE OF FIRST NATIONAL CITY BANK OF NEW YORK, A MAJOR LEBANESE SUPERMARKET AND NUMEROUS SMALLER ESTABLISHMENTS.

5. DESPITE FACT THAT ACT NOT AS SWEEPING AS MIGHT HAVE BEEN CASE, IT CONTAINS AT LEAST ONE PROVISION THAT MAY CAUSE PROBLEMS FOR AMERICAN INVESTORS. THIS IS REQUIREMENT THAT ONLY LIBERIAN FIRMS ENGAGE IN DISTRIBUTION OF LOCALLY MANUFACTURED GOODS. UNITED STATES TRADING CO., WHOLLY OWNED SUBSIDIARY OF FIRESTONE, BOTTLES AND DISTRIBUTES COCA COLA AND OTHER SOFT DRINKS. TEXACO AND MOBIL, THROUGH WHOLLY OWNED SUBSIDIARIES, DISTRIBUTE PRODUCTS OF LOCAL SUNOCO REFINERY.(NOTE: SUNOCO, ITSELF, HAS NO PROBLEM SINCE IT GAVE GIFT OF NUMBER OF SHARES ITS LIBERIAN REFINING CO. TO TRUE WHIG PARTY, COUNTRY'S ONLY POLITICAL PARTY.) EMBASSY HAS DISCUSSED POTENTIAL PROBLEMWITH TEXACO, WHICH ADVISED THAT ITS ATTORNEYS ATTEMPTING OBTAIN DETERMINATION FROM GOL AS TO WHAT CONSTITUTES QTE DISTRIBUTION UNQTE. NO ONE WITH WHOM MATTER DISCUSSED IN GOL COULD (OR WOULD) GIVE SUCH DEFINITION. BOTH TEXACO AND EMBASSY FEARFUL THAT THIS PROVISION BEING HELD AS QTE SLEEPER UNQTE PENDING READINESS MAJOR LIBERIAN PETROLEUM DISTRIBUTOR (FOREIGN MINISTER DENNIS' MURSOBI) ASSUME BUSINESS. EMBASSY
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FOLLOWING CLOSELY AND WILL KEEP DEPARTMENT ADVISED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, POLICIES, INDUSTRY, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MONROV02640
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750168-0715
From: MONROVIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750558/aaaabzzw.tel
Line Count: 156
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 108506, 75 MONROVIA 2130
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 27 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 AUG 2003 by ElyME>; APPROVED <12 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOURTEEN BUSINESS FIELDS DENIED TO FOREIGN FIRMS
TAGS: BGEN, EINV, US, LI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006